

Message Text

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16

ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FEA-01 (ISO) W

----- 025017

R 250515Z JAN 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4549

AMEMBASSY MANAMA

INFO AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

LIMITELJ OFFICIAL USE KUWAIT 0375

E.O. 11652: N/A

TAGS: ENRG KU

SUBJ: SIZEABLE DIRECT SALE OF KUWAITI CRUDE TO US COMPANY

1. GOK SIGNED AGREEMENT HERE LAST WEEK WITH ECOL OF LOUISIANA UNDER WHICH 50,000 BPD KUWAIT CRUDE OIL WILL BE SOLD TO US COMPANY. WE UNDERSTAND ECOL PAID PREVAILING PRICE OF \$11.30 PER BARREL AND THAT ENTIRE AMOUNT OF OIL PURCHASED WILL BE USED IN NEW REFINERY IN US. WE ALSO UNDERSTAND THAT DEAL WAS FINANCED BY MAJOR SOUTHERN UTILITY COMPANY WHICH WILL ALSO BE PRINCIPAL CUSTOMER OF NEW REFINERY. ECOL SALES AGREEMENT HAS FIVE YEAR DURATION. ACCORDING TO KNOWLEDGEABLE INDIVIDUAL INVOLVED IN PUTTING DEAL TOGETHER, ECOL IS PLEASED WITH TERMS OF DEAL. COMPANY APPARENTLY WANTS TO DIVERSIFY ITS SOURCES OF SUPPLY, AND IT HOPES TO ENTER INTO OTHER CRUDE

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AGREEMENTS WITH OTHERS IN GULF AREA, ALTHOUGH, AS FAR AS WE

KNOW, DEAL WITH GOK IS FIRST TO BE CONSUMMATED.

2. GOK IS ALSO PLEASED WITH SALE FOR AT LEAST TWO REASONS.
BY SELLING OIL AT \$11.30 PRICE IT PROBABLY FEELS THAT IT
NEED NOT REDUCE PRICE BEYOND TEN CENTS IT CUT LAST FALL.
IN ADDITION, WE HAVE BEEN TOLD BY MINISTRY OF OIL OFFICIAL
IN CHARGE OF DIRECT CRUDE SALES THAT GOK WANTS TO EXPAND ITS
SALES IN US, AND ECOL SALE IS FIRST DIRECT SALE OF CRUDE BY
GOK WHICH IS SPECIFICALLY DIRECTED TO US MARKET. THIS SALE
ALONE WHICH WILL INVOLVE OVER \$200 MILLION PER YEAR WILL
CONSIDERABLY REDUCE FAVORABLE US TRADE BALANCE WITH KUWAIT.

3. ACCORDING TO MINISTRY SOURCE CURRENT TOTAL OIL PRODUCTION
IS ABOUT 1.9 MILLION BPD. ECOL SALE TOGETHER WITH THOSE
ALREADY CONTRACTED FOR WILL HELP GOK TO MAINTAIN PRODUCTION
AT ABOUT 2 MILLION BPD. AS FAR AS WE KNOW ALL DIRECT BUYERS
OF KUWAITI CRUDE HAVE REACHED AGREEMENT WITH GOK TO CONTINUE
PURCHASES AT \$11.30 PRICE EXCEPT EXXON WHICH SUSPENDED LIFTINGS
FROM KUWAIT LAST FALL.

4. FOR MANAMA: WOULD BE INTERESTING TO KNOW IF EXXON REPS
ENVISAGE ANY CHANGE IN THIS SITUATION OVER NEAR TERM.
MAU

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